

Summary

ECONOMIC DEVELOPMENT COMMISSION MEETING HELD ON WEDNESDAY, MAY 14, 2008 AT 4:00PM IN THE HOOKER CONFERENCE ROOM OF CITY HALL AT SHOWERS, 401 NORTH MORTON STREET, BLOOMINGTON, INDIANA

Roll Call

Members present: Dick McGarvey, Kurt Zorn, Mike Satterfield, Malcolm Webb

Staff present: Danise Alano, Director of Economic Development; Susan Failey, Assistant City Attorney; Sean Fox, SPEA Service Corps Fellow

Others present: Stuart Hunt, Yarco; Heather James, Ice Miller; Thomas Peterson, Ice Miller.

Approval of Minutes

Mike Satterfield moved to approve the minutes from January 25, 2008. Kurt Zorn seconded. Motion carried.

New Business

Public Hearing: Resolution 08-01: Petition for issuance of Economic Development Revenue Bonds, Henderson Court Apartments

Danise Alano introduced the public hearing portion of the meeting. In December 2007 the EDC approved the inducement resolution to the City Council for the economic development revenue bonds, not to exceed \$7.25 million. The revenue bonds would finance the acquisition and rehabilitation of Henderson Court Apartments (on S. Winslow Court). The resolution before the EDC (08-01) will authorize the City Council to issue the bonds.

Stuart Hunt, director of development for Yarco, introduced himself and his company – a real estate development company out of Kansas City, Missouri that has been in business since 1932. Their primary real estate business is affordable multifamily housing, and the company has a portfolio of over 14,000 units throughout the Midwest, consisting of approximately 85% affordable housing. The Henderson Court property became for sale last summer and Yarco successfully got it under contract in December 2007. Henderson Court consists of 150 one-, two-, and three-bedroom units and is 100% project-based, meaning that the property receives a subsidy from the federal government to provide low-income family housing. The property was built in 1979 and underwent minor rehabilitation in 1992.

Yarco proposes to spend approximately \$2.6 million in rehabilitation efforts over the next six months (June – December 2008). Primary improvements will include replacement of

cabinetry, installation of dishwashers and conversion of closets to washer and dryer hookups. New flooring and lighting will also be installed. Exterior rehabilitation includes replacement of around fifty percent of the roofs, additional landscaping and updating handicap ramps to meet ADA standards.

Dick McGarvey asked if the number of handicap-accessible apartments would be increased, to which Stuart Hunt responded that currently the property consists of ten percent handicap-accessible units, which is higher than the five percent required by HUD and there are no plans to increase the number of handicap-accessible units.

The property has a housing assistance payment (HAP) contract, renewed annually by the federal government. Through the contract, the property receives subsidies based on the rent and income levels of residents. A resident will pay no more than thirty percent of their income toward rental housing. The company plans to convert the HAP contract to twenty years, along with the use restrictions, to maintain affordable housing. Stuart Hunt said that the property would then be locked in to the twenty-year renewal contract by HUD starting in 2009.

Malcolm Webb asked what could potentially happen to residents if the property owner decided not to renew the year-to-year contract. Stuart Hunt responded that HUD would not renege on the annual renewals because of social pressures to maintain affordable housing programs such as the Section 8 program.

Malcolm Webb asked if the tenants rented on one-year contracts, to which Stuart Hunt responded that they do. Malcolm Webb asked if the property owner were to opt out and go to market rates, would renters have until the end of their leases at the previous rent? Stuart Hunt said that contracts are renewed on July 11, and if the property owner were to opt out of the contract today, those people paying on a lease would lose their subsidy, although they might receive a voucher from the housing authority. A landlord has the right to charge market rent for the unit, and if the federal government does not make up the subsidy, it is the tenant's responsibility.

Thomas Peterson noted that as part of the bond financing, they are required to maintain a certain percentage of the units with the established income standards. As part of their application to the state, they guaranteed that 100% of the units would be affordable, so they must do whatever is necessary to attract renters to meet the qualifications. Stuart Hunt said that irrespective of the Section 8 contract, 100% of the units will be restricted to people or families with income 60% or below the area median income. Even without subsidy, the property would have restrictions that would prevent units being rented to someone above this income level. This provision would keep the property owner from not renewing the annual contract, since they would be forced to make up the subsidies.

Malcolm Webb asked what credit rating the company anticipated receiving for the revenue bond. Stuart Hunt said that the debt structure would be 35 years and that the interest rate is being quoted at 5.05% tax-exempt. Thomas Peterson said that the bonds are structured to have a full guarantee by Freddie Mac. Mike Satterfield asked if Yarco

has ever opted out of a contract. Stuart Hunt said that in the eleven years he has been with the company, it has not opted out of a Section 8 contract. Dick McGarvey asked if any members of the public would like to address or had any concerns regarding this issue. There were none.

Malcolm Webb moved to recommend passing Resolution 08-01. Kurt Zorn seconded. Motion carried. No further action on this issue. It will go before the City Council this evening.

Dick McGarvey stated his appreciation for this action and that it is great for the city. Stuart Hunt said he looks forward to working in Bloomington. Of the 14 ADA units, eight are elderly, and the rest are disabled. According to a survey, of the 95 units, 79 had family income of 0 to \$5,000. Stuart Hunt and the representatives from Ice Miller were thanked for attending the meeting.

BIILF Update

Kurt Zorn asked why the current balance of the BIILF had decreased since January if the funds were invested in CD's. Danise Alano said that she would look into the matter, as well as possibly introduce new city controller Mike Trexler at the next meeting. Kurt Zorn asked about the Cha Cha loan. Danise Alano said she would report to the EDC at the next meeting. Danise Alano reported that to date there are no additional inquiries on the BIILF in the pipeline. She reported that there have been internal meetings regarding revisions of the BIILF and tax abatement programs, and that she received commitments from Ron Walker and John West to help with the revisions.

Discussion of Next Meeting and Adjournment

Danise Alano reported that the 2008 Tax Abatement Report would be presented in the next meeting. Mike Satterfield moved to adjourn the meeting. Malcolm Webb seconded. Motion carried. Meeting adjourned.